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ABC's of FEDERAL MARKETING ORDERS and AGREEMENTS for FRUITS and VEGETABLES

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Agricultural Marketing Service
U.S. Department of Agriculture



THE ABC'S OF FEDERAL MARKETING ORDERS AND AGREEMENTS FOR FRUITS AND VEGETABLES

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The material in this publication originally appeared as a series of articles in The Packer from October 1961 to April 1962. They are intended to provide the fruit and vegetable industry with a better understanding of the basic principles underlying Federal marketing orders and agreements as authorized under the Agricultural Marketing Agreement Act, how such programs are developed, and how they are operated.

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Chapter 1

YOU CAN'T BUILD A BARN BY YOURSELF

Reasons for marketing orders.

The big red barn is almost a trademark of the American farm. But nobody built one of those big barns by himself--it was too heavy a job for one man. No, when someone needed a barn in your grandfather's day, they had a barn-raising, and everyone in the area got together to help build it.

Marketing agreement and order programs aren't so different from a barn-raising. They give fruit and vegetable growers a way to work together to solve marketing problems that are too big for the growers to solve individually.

In our present system of specialized growing and long-distance trading, each grower concentrates on one or a few crops. He depends on those crops for his income.

Very few growers, though, have any real control over the market on which they depend for a living. Each crop is supplied to the market by many growers, and nobody handles a big enough percentage to move prices up or down by himself.

So the producer has to sell his crops on a buyer's market--and this leads to problems the grower can't solve alone.

Here's what we mean.

Suppose there's a sharp break in prices for a particular crop. This can be a real disaster, because whatever the individual grower does to improve his position is probably going to make the price break even worse!

When there are more potatoes, for example, coming to market than people want to buy, the price falls. If over-sized supplies keep coming in spite of the drop, the market will fall even farther.

Over the long pull, increasing the demand for potatoes can help this situation.

But, in the short run, the logical thing to do is to reduce the amount of potatoes shipped.

The grower, however, can't do this by himself. He doesn't handle enough of the supply to cause a price change by cutting his shipments. At the same time, he has a family to feed, and the only way he can bring in more money in this situation is to increase shipments.

This is what often happens when prices break. Growers increase shipments--shipping not only their best potatoes but their poor ones, too--because this is the only way they can increase their returns. The market falls even more drastically, and the industry gets a lot less for its crop than it should have.

Low quality and poor packs may bring quick profits to a few shippers for a short time--but they can permanently damage the market for everyone else.

When there is a choice of shipping a large crop to a primary outlet or a secondary outlet which offers a lower price--as with California-Arizona oranges that can either be shipped to the fresh market or to the processing plants--growers usually won't divert their produce to the secondary market until the price at the primary outlet has fallen to the low level of the secondary outlet. In most cases, though, the grower would get more for this crop if he kept

the price in the primary market up by limiting shipments to only the better quality lots. Again, the individual grower can't do it by himself.

These are some of the marketing problems that face producers under our modern marketing system. Alone, the grower can't do much to solve them. But marketing agreements and orders give growers a way to work on their marketing problems together--just as a barn-raising used to give them a way to solve their building problems.

Chapter 2

WHERE DO THEY GET THE RIGHT?

The authority behind marketing orders.

Who says you can't market any potatoes lower than U. S. No. 2 grade just because you happen to be in an area covered by a marketing agreement and order? Or that your oranges have to be a certain quality before they can be shipped?

Well, it's your own industry that says so.

Every marketing agreement and order covering fruit and vegetable crops is developed by the men who grow and handle the crop. They approve the program before it's issued, and after the program is issued it's administered by a committee of industry members.

So, when marketing program regulations keep the lower-quality potatoes off the fresh market, or set up maturity requirements to make sure the fruit won't reach the consumer too immature to use--the regulations are designed by the industry itself.

Where does the industry get the right to do this?

The authority behind marketing agreements and orders comes right from Congress. Congress authorized these marketing programs for farm commodities and gave the Secretary of Agriculture the responsibility for seeing that they were properly administered.

The original authorization for marketing agreements and orders was included in the Agricultural Adjustment Act of 1933. After some of the other sections of the AAA were declared unconstitutional, Congress gathered up all the marketing agreement and order provisions and re-enacted them into the Agricultural Marketing Agreement Act of 1937.

That's where the authority for fruit and vegetable marketing agreements and orders comes from.

The Secretary of Agriculture has the legal responsibility for marketing agreement programs, and he makes the final decision on all marketing agreement and order actions--such as issuing regulations, levying assessments, establishing salable percentages. These actions, though, and all the day-to-day operations of marketing agreement programs, are based on the recommendations of the industry's administrative committees.

The growers and handlers of the crop are the ones who really operate a marketing agreement program--which is only fitting, since marketing agreements and orders have been designed from the beginning to help producers.

Chapter 3

DO-IT-YOURSELF MARKETING PROGRAMS?

Flaws in voluntary marketing programs.

Why get the government involved in marketing agreements and orders? If the programs are developed by growers, and run by industry committees, why fuss around with all the hearings, referendums, and legal hassles of a government marketing program? Just form a voluntary organization, sign up the growers, and you have your own do-it-yourself marketing program.

Well, it's been tried.

As a matter of fact, it was tried many times over a period of about fifty years--and it didn't work.

Specialized commercial production of fruits and vegetables really got started shortly after the end of the Civil War. By the turn of the century, growers in several different commodities had made marketing contracts or other marketing arrangements to regulate their shipments in bumper-crop seasons.

As the years went by, and more and more acres were planted to fruits and vegetables, these voluntary marketing agreement efforts got more comprehensive and detailed. Some of them not only regulated the flow to market but covered such things as train schedules, icing, standard packs, grading, and even advertising.

Growers learned two lessons from these experiments with voluntary market control. First, they learned that orderly marketing brought them more money for their crop.

Second, they learned that voluntary marketing programs practically always break down.

Voluntary regulation doesn't work, because the outsiders get all the benefits of the organization, without any of the limitations--and when the growers in the organization see this, they begin to pull out too.

One of the strongest voluntary marketing programs was that of Sunkist lemon growers. This cooperative signed up members covering over 90 percent of the California lemon crop, and prorated their shipments, starting in 1924. But while the Sunkist growers were diverting part of their fruit to processing plants at a low return in order to maintain a fair price for lemons shipped to the fresh market, the outsiders were selling all of their lemons on the fresh market. Not even an organization as strong as Sunkist could endure this situation indefinitely.

That's the fatal flaw that wrecked the voluntary marketing programs--from the earliest attempts in the 1880's down to the "clearing houses" that tried to regulate shipments in the early 1930's.

And because of this basic flaw in voluntary organization, Federal marketing agreements and orders were developed to enable farmers to set up workable marketing programs.

Chapter 4

THE PURPOSE OF MARKETING AGREEMENTS AND ORDERS

Improving returns to growers.

Marketing agreements and orders have one simple, clear-cut purpose--to improve returns to growers.

Sometimes these marketing programs seem complex, with minimum sizes, maturity requirements, administrative committees, surplus pools, regulations, hearings and all the rest. These things, though, are just the "tools" that have been developed to help accomplish the basic purpose of improving growers' returns.

It's like buying a tractor to help grow your crops. You need plows or discs, or some other equipment before your tractor is really useful. In the same way, the regulations and committees are the equipment that really puts your marketing program to work.

These programs are intended to improve the grower's position by substituting a plan for orderly marketing in place of haphazard marketing.

With this type of plan, growers are able to set up quality requirements that keep poor-quality produce from depressing the market for the whole crop. They also can set up maturity requirements, so that immature early-season fruits and vegetables don't prejudice the consumer against the main part of the crops that are following.

Some industries, which felt that their markets were being alternately glutted and starved, have set up volume regulations to assure a steady flow to market.

Others have set up standard packs and containers to help meet the needs of volume buyers, and put all the growers in a better position to deal with these buyers.

Growers, organized under marketing agreements and orders, have worked toward improvements in crop estimates and market news coverage, and have used the detailed information on shipments and utilization gathered in the operation of the programs to guide them in their marketing decisions.

Under some marketing agreement programs, the industries sponsor research projects to help solve other marketing problems.

Actually, the planning starts even before a marketing agreement program is set up. It begins when the industry sits down, analyzes its problems, and decides what needs to be done. The industry members must decide whether a marketing agreement program is the "tractor" for the job, and, if so, they must get the right equipment--regulations and provisions--to do the work properly.

When a program is carefully thought out, and carefully designed, then it is ready to do its basic job of improving returns to the growers in an industry.

Chapter 5

AGREEMENT OR ORDER: WHAT'S THE DIFFERENCE?

Definitions.

A marketing agreement is a voluntary contract between a handler of farm products and the Secretary of Agriculture. In the contract, the handler agrees to follow certain rules to be set up under the agreement program--for instance, to ship only U. S. No. 1 grade onions from his packing shed.

The handler signs this contract because he feels that keeping lower-grade onions off the market will improve the returns from the crop and benefit the industry. Any marketing agreement affects only the handlers who choose to sign it.

A marketing order, though, is something different. It is a program originated by growers, recommended and approved by at least a two-thirds vote of growers in the area affected, and issued by the Secretary of Agriculture to apply to all handlers alike. If a marketing order covers the onion crop, a handler is obliged to follow the shipping regulations that are issued under the program.

Both the marketing agreement and the marketing order are intended to serve the same purpose--to regulate the marketing of the crop so that returns to the producer are improved.

The effectiveness of a marketing agreement alone would depend on signing up handlers of a large enough percentage of the crop to regulate the onion market in the area. Suppose, though, that handlers of only 80 percent of the onion crop sign the marketing agreement. Handlers of the

remaining 20 percent of the crop would be able to ship their low-grade onions and perhaps get better returns as a result of selling in a protected market.

Not many handlers would sign a marketing agreement if they knew that their competition was planning to stay out of the program and take advantage of it.

That's where the marketing order comes into the picture.

A marketing order is simply a way for an industry to make its market regulations effective on everyone. In fact, if 100 percent of the handlers signed a marketing agreement, there would be no reason for a marketing order. Sign-up of a hundred percent is an almost-impossible goal, however, so marketing orders were developed as a way to make market regulations workable.

Marketing agreements and marketing orders usually are found together--but not always. A marketing agreement can be set up by itself, and a marketing order can be installed without an accompanying agreement.

It all depends on the type of marketing program that's needed. Marketing agreements and marketing orders are similar tools, designed to work on marketing problems. An industry can use either one, or both, to set up a marketing program that will improve its marketing situation.

Chapter 6

WHAT COMMODITIES ARE COVERED?

Not all fruits and vegetables are eligible for marketing order programs.

The most important change made by the Agricultural Act of 1961 in marketing agreements and orders for fruits and vegetables was extending authority for marketing orders to several new commodities. Marketing agreements already had been authorized for any agricultural commodity.

Congress added a number of fruits for canning and freezing to the list of commodities for which marketing orders can be issued.

Previously, marketing orders could be issued for apples only for the fresh market and only if produced in Washington, Oregon, or Idaho. Now, marketing orders also are permitted for apples for fresh use, canning, or freezing if produced in the New England States, New York, New Jersey, Maryland, Michigan, Indiana, or California. The authority previously existed for orders for grapefruit, olives, and asparagus for canning or freezing. This has now been extended to make such orders available to producers of cherries and cranberries, too. However, any marketing order for cherries, cranberries, apples, or grapefruit for canning or freezing has to be approved not only by the usual two-thirds of the producers, but also by processors of more than 50 percent of the volume of the crop processed.

Peanuts also were added to the marketing order list, though a national program is prohibited by a provision that no single order can apply to more than one of the three major production areas.

The original list of commodities was carefully spelled out by Congress in 1935 after marketing agreement and order programs had been operating for two years. The 1935 law allowed marketing orders for all fruits and vegetables for fresh use, except apples produced in States other than Washington, Oregon, and Idaho. Pecans and walnuts also were included. No fruits or vegetables for processing were on the list except olives and asparagus for canning, which had already operated marketing programs. Olives and asparagus for freezing were added in 1947.

Almonds and filberts were added to the marketing order list in 1949.

Grapefruit for canning and freezing was added in 1954--and set one precedent for 1961. The 1954 amendment provided that a marketing order covering grapefruit for canning or freezing had to be approved by processors who handled more than 50 percent of the product for canning or freezing during a representative previous period.

With the new additions, marketing orders can now be issued for all fruits and vegetables for fresh market (except apples grown outside the various States mentioned previously), and for peanuts, walnuts, pecans, almonds, and filberts. All fruits and vegetables for canning and freezing are excluded, except for apples grown in New England, New York, New Jersey, Maryland, Michigan, Indiana, and California; cherries, cranberries, grapefruit, olives, and asparagus. Also, orders can cover the canned and frozen products of olives and asparagus.

Besides these fruits, vegetables, and nuts, marketing orders may be issued for any agricultural commodity (but not its products), except honey, cotton, rice, wheat, corn, grains or sorghums, oats, barley, rye, sugarcane, sugarbeets, wool, mohair, livestock, soybeans, cottonseed, flaxseed, poultry and eggs. Turkeys and turkey hatching eggs, however, are not excepted, which means that marketing orders can be utilized by these industries.

Chapter 7

WHO OR WHAT IS REGULATED?

Regulations are applied to the handler.

The man who drives a car onto the highway takes the responsibility for obeying the traffic laws. Whether he owns the car or not, it's the driver who gets the ticket if he's caught speeding.

It's much the same story with marketing agreement and order regulations as with traffic laws. The man who handles fruits or vegetables grown under a marketing agreement is the man who's responsible for seeing that they meet the regulations set up for the program.

Marketing agreement and order programs primarily affect the handler, because he's the man who actually puts the produce into the "stream of interstate commerce," just as traffic laws are aimed at the man who pilots a vehicle on the highway.

Each marketing agreement and order program carefully defines both "handler" and "handling" for the particular crop and area. Under the Idaho potato agreement and order, for instance, a handler is anyone who handles the potatoes (grading, washing, packing), sells the potatoes or is responsible for selling them, or who transports the potatoes out of the production area. All handlers, except hired carriers like trucking firms and railroads, are responsible for seeing that their produce meets the grade, size and quality requirements set up under the program.

Growers are not regulated under marketing agreements and orders--as long as they're just acting as growers. When they perform handling functions, though, then they become handlers as well as growers.

Let's take the example of a potato grower who digs, grades, packs, and ships his own crop. Grading, packing, and shipping are handling functions, and that makes him a handler as well as a grower. For this reason, he has to be sure that his potatoes meet the marketing regulations set up under the program.

If the grower on the other hand, sells his field-run potatoes to someone else in the production area for grading and packing, then he is not acting as a handler. The man who buys the potatoes then takes over responsibility for meeting grade, size, and quality requirements.

Cooperatives, too, are handlers if they perform the handling function.

At the other end of the marketing chain, a retailer isn't regulated--as a retailer. If, however, he functions as a handler, he is regulated. That is, if a retailer operates a packing shed within the production area, then he is a handler, and subject to the regulations.

Marketing agreements and orders regulate handling for the benefit of the producer. It's not practical to apply marketing regulations while the crop is still in the field. And, since every fruit and vegetable crop is handled at least once in its trip to market, the logical thing to do is to apply the regulation at the handler level. Actually, it's the handling function, rather than the handler, that is being regulated.

Chapter 8

TRIAL AND ERROR

Early history of Federal marketing order programs.

If someone suddenly gave you the use of an atomic reactor, what would you do with it? There's power in a reactor, but how do you harness it?

Farmers were faced with this sort of problem in using marketing agreements back in 1933. Here was a power source--a brand-new law--which had been set up for their benefit. But no one really knew what marketing agreements could do, or exactly how to use them.

There were plenty of places to try the new marketing programs, though. Farmers were eager to see what they could build with their new power source, and they flooded the Department of Agriculture with dozens of proposals for programs that first summer.

These proposed marketing agreement programs covered everything from fruits and vegetables to tobacco and wheat surplus in the Pacific Northwest.

Marketing agreement programs were used for many purposes during this early period. Some of the applications turned out well. Many did not.

The citrus industry, for example, wanted to set up a national marketing program. The plan died, though, when the industry was unable to agree on who the national coordinator would be, how the market would be allocated between the producing areas, and what should be done about new areas just coming into production.

At various times, farmers experimented with prohibiting unfair trade practices and methods of competition, setting minimum prices, setting minimum service charges, and requiring prices to be posted.

Out of this experimentation, three kinds of "harnesses" for the marketing agreement power came to be widely used in the fruit and vegetable field--grade, size, and quality regulation; rate-of-flow regulations; and surplus controls.

Grade and size limitations were avoided at first, because growers were afraid they would penalize districts that had poor years. They were finally tried in 1935 on Elberta peaches and Bartlett pears, and worked out so well that they have become the most widely-used features of marketing agreement programs.

Rate-of-flow regulations were used by voluntary organizations like the Bartlett pear shippers even before 1933. After Federal orders were adopted, rate-of-flow arrangements were widely used for a time, but now they are found in only a few programs.

Surplus controls, used to divert "excess" supplies from the normal market channels and applicable for an entire crop season, were developed for less perishable products such as dried fruits and tree nuts.

Through the trial and error process, these three applications of the power of marketing agreements and orders for improving grower returns have come to form the backbone for our present-day programs in the fruit and vegetable field. To these three have been added two others that are becoming increasingly important: container and pack regulations, and sponsorship of research and development projects. Authority for these latter types of activities was given in the 1954 amendments to the Agricultural Marketing Agreement Act.

Chapter 9

WHAT'S FAIR IS FAIR

The parity limitation.

Marketing agreements and orders are designed to help producers get fair returns for their crops. But Congress, when it gave farmers the right to set up orderly marketing programs, wanted to guard against any program that worked too well--and pushed the price of a commodity right out of sight. "Fair" means fair to consumers as well as to producers.

So Congress wrote a parity limitation into the law.

Parity is simply a way of figuring whether the prices for farmers' products--milk, fruits and vegetables--are in line with the prices of tractors, clothing and the other things farmers have to buy.

Originally, Congress said that regulations under marketing agreements and orders could not be used when farmers' prices for a commodity covered by a marketing order went above parity. So, regulations couldn't be issued under a marketing agreement and order program, or, if already issued, would have to be stopped, whenever it became apparent that the projected season average price would come out above parity.

After many years of experience with these programs, however, it became evident that this provision hampered industries using marketing orders to achieve orderly marketing programs.

As a result, Congress has passed a number of amendments to the Agricultural Marketing Agreement Act, the most recent one in 1961, which modifies this provision. These amendments have the effect of permitting regulations, under

certain conditions, even though estimated season average prices to growers may reach or exceed parity.

Shipment regulations permitted are: (1) maintenance of minimum standards of quality and maturity plus grading and inspection requirements, (2) regulations to assure an orderly flow of product to market throughout the normal marketing season to avoid unreasonable fluctuations in supplies and prices, and (3) continuation of regulations, once started, for the remainder of a marketing season in order to avoid disruption of orderly marketing of the commodity, even though prices go above parity in the meantime.

The basic idea behind the parity limitation remains the same, though. Marketing agreements are intended to help farmers get their fair price--fair in relation to the prices they pay, and fair to the consumer too.

Chapter 10

MADE TO ORDER

Each marketing order is tailored to the industry.

Marketing agreements and orders can't be mail-ordered from Washington, D.C. Each one is custom-made.

The tailoring of a successful marketing agreement program is critical, because the program has to be fitted exactly to the circumstances and problems of the industry, like a good suit of clothes.

The tailoring is done in the growing areas--by the people in the industry, who know the situation best. They analyze their own problems, decide

whether or not a marketing agreement program would help the situation, and, if so, draft a program to fit properly.

Since marketing agreements and orders are self-help programs, it makes good sense to have the industry do the designing. The real support for these programs doesn't come from the U.S. Department of Agriculture, but from the growers and handlers.

As a matter of fact, no marketing order can possibly be issued without strong support from the industry. Under the law, every marketing order has to pass two tests of its industry support.

The first test is a grower referendum, and the order must get the approval of at least two-thirds of the growers voting, either by number or by the amount of production represented.

The second test is handler sign-up. The handlers of at least fifty percent of the crop, by volume, have to sign a marketing agreement which contains the same conditions as the marketing order.

For the fresh commodities, and for canned olives and asparagus, there is one exception to the second test. If handlers fail to sign the marketing agreement, and the Secretary of Agriculture finds that the order is the only practical way to advance the interests of producers, he may issue the order anyway. No order can be issued for canning or freezing crops, except olives and asparagus, unless the agreement is signed by processors who have handled at least 50 percent of the crop used for canning or freezing in the production area.

The producer referendum and handler sign-up are safeguards to make sure marketing programs are set up the way the industries involved want them set up. They guarantee that marketing agreements and orders will fit the need; are "made to order".

Chapter 11

WHO RUNS THE SHOW ?

The administrative committee.

So you're the type who likes to know what goes on behind the scenes? You want to know who's going to run the show if your industry sets up a marketing order program? Well--you are. It's your program, operated for your benefit. You and the other members of the industry will run the program through your own administrative committee, under the supervision of the Secretary of Agriculture.

Here's how it works.

Every fruit and vegetable marketing agreement and order program has its administrative committee. The committee is the starting point for most of the activity under a marketing agreement and order program. It's the committee's responsibility to decide on regulations that will really put the program to work for the industry, and recommend these regulations to the Secretary of Agriculture. Since authority for these programs rests in the Secretary, he has the final responsibility and he actually issues the regulations. The committee also handles the details of administration at the local level, and can undertake other projects for the benefit of the industry so long as they're authorized under the marketing agreement and order program. The committee appoints a manager, and staff if necessary, to handle day-to-day operations.

The proposed order, on which you and the other producers vote, spells out how many producers are to be on the committee, and, if handlers are to be included, how many handlers will be on it. The proposed order also specifies how long each member will be in office.

The first thing that's done under a new marketing order is the appointment of the administrative committee by the Secretary of Agriculture. To help the Secretary in his selection, producers nominate producer members, and handlers nominate any handler members.

This is important. It means the members of your administrative committee will be men of your own choosing--practical men who are going to favor practical regulations. Since they--just as you--depend on your commodity for their living, they aren't going to get carried away by "blue-sky" ideas.

Chapter 12

WHERE DO THE REGULATIONS COME FROM?

How regulations are developed under an order.

Marketing agreements and orders don't come with "built-in" regulations. Except for a few cases where minimum quality and maturity standards are spelled out, the agreements and orders are just "enabling documents"--they give the industry the right to set up certain types of regulations without saying what the specific regulations should be.

There's a good reason for this. Regulations, such as those on grade and size, may need to be changed once or twice during a season, or for some crops a number of times, to keep them in line with changes in supply and demand. Rate of flow regulations usually are issued weekly. If the whole marketing order had to be amended, it would take months to make a change in the regulations--and that's too long for fast-moving crops like fresh fruits and vegetables, many of which have only limited marketing seasons.

Here's how the regulations for a marketing agreement and order are developed.

The first step is taken by the administrative committee which runs the program for the industry. Before the harvest season--how long before varies from program to program, depending upon the commodity--the committee issues its "marketing policy statement." This is sort of a flight plan, to tell the industry what the committee would like to accomplish during the coming season. Growers know then what to expect, and they can plan accordingly.

The administrative committee of a fruit marketing program might decide, for instance, that marketing small sizes hurts their market for larger fruit. In their marketing policy statement, then, they tell the industry to expect strict size regulations in the coming season. Growers can thin their crops more heavily, knowing they'll want larger sizes to meet the marketing order regulations.

The committee's next job is to figure out just how much of a crop the industry is producing, and how much market there is for it. This means not only knowing how big the crop will be, but also what quality, when it will be ready for market, and how heavy competing crops will be.

Just before harvest time, the administrative committee makes a final check of the crop, rechecks its demand figures, and proposes a set of regulations that it believes will result in growers obtaining fair returns.

These recommendations are sent to the Secretary of Agriculture. Since he's responsible for administering the programs in the interests of both the industry and the general public, he makes the final decision on the regulations. If the Secretary agrees that the committee's proposals will carry out the purpose of the marketing order, he issues them as regulations and they

become binding on the whole industry. He relies heavily upon the committee's judgment because the committee is made up of practical men with an intimate knowledge of the industry and its problems.

This is how "made-to-order" regulations are developed to fit each industry's special needs--and why "built-in" regulations will not work.

Chapter 13

KEEP THE POOR ONES AT HOME

Quality regulation.

If you have one big, juicy peach and one small, shrivelled one, which peach will you eat? That's right, the big juicy one--and so will nine out of ten other people, given the same choice.

This helps to explain why grade, size, quality and maturity regulations are the most widely-used types of marketing agreement and order regulations. If you have more peaches than your customers will take at good prices, then it makes sense to keep the poorest ones at home. They would bring the lowest return anyway, and push down the price for your good fruit.

By shipping only your higher-grade peaches, you can maintain better prices--and keep your customers happier too. And, if the minimum grade is specified under a marketing order regulation, everyone else in the industry will be keeping their low-grade and cull peaches at home, too. After all, that's the basic idea behind the marketing order. Once the industry decides that it wants to establish a reputation for quality fruit and sets its regulations accordingly under a

marketing agreement and order program, then the whole industry abides by the same rules.

Size requirements, too, are aimed at putting the most desirable produce on the market, and keeping the rest at home. Potato growers, for instance, know that housewives don't like potatoes either too big (they're hard to cook) or too little (they take too much time to peel). Maximum and minimum size requirements can be set up under a marketing order to make sure the housewife gets what she wants--and what she's willing to pay for.

Maturity requirements are used under fruit marketing programs to keep "sooners" from shipping fruit before it's mature, in order to hit the market while prices are high.

Under a marketing agreement and order program, the grade, size and quality regulations are set up at the beginning of each season. The administrative committee estimates the crop and the market for it, and then proposes regulations that they feel will carry out the industry's marketing policy.

These proposed regulations are sent to the Secretary of Agriculture, and, if he approves them, they are issued officially. Sometimes one set of regulations will stay in effect for a whole season, but more often the regulations are changed once, twice, or even several times during a season to adjust to changes in supply and demand.

Inspection of shipments is required under these grade, size and quality regulations, to make sure the produce meets the standards set up. The inspection is generally performed by the Federal or Federal-State Inspection Services.

The whole idea, of course, is that if everybody keeps their cull and low grade products at home, the better ones will have a more profitable trip to market.

THE ROLLER-COASTER

Rate-of-flow regulation.

The roller-coaster is a lot of fun to ride--in an amusement park. But that roller-coaster effect isn't much fun at all in produce marketing. When prices are zooming up and down, it's hard to do an effective job of marketing your crop.

Sometimes that up-and-down price pattern results from an up-and-down supply pattern. Suppose everyone in your industry ships heavily on a certain day or during a particular week. The market is going to be flooded with your commodity. Prices will take a dive, and some of the commodity may be wasted. Then, if everyone waits until prices start back up again before they ship another car, there could be a period when the market "starves". Sales will be lost before new supplies come in. The farther you are from your market, the greater this "roller-coaster" effect is likely to be.

Some industries have used "rate-of-flow" regulations under a marketing order to even out the flow of produce to market, and thus help stabilize their prices.

Under these rate-of-flow regulations, a limit is set on the amount of the commodity that can be shipped in a given marketing period--generally a week. This tends to keep supplies flowing in a steady stream, and cuts down the fluctuations in price.

Rate-of-flow regulations were widely-used in the early days of marketing agreements and orders, but in recent years they've been found primarily in citrus marketing programs.

This is no accident. Rate-of-flow regulations only work where the product can be stored reasonably well. Otherwise, too much of the crop may spoil before its turn to be shipped. Oranges, though, can be "stored" on the trees for weeks, and lemons can be held in storage until they are marketed.

The rate-of-flow is controlled through handler allotments. Each handler receives an allotment of the commodity which he may ship during the specified period. The allotment may be based on how much he has shipped in past years, or how much of the commodity he has under contract, or a combination of the two. The handler has to apportion his allotment among the growers who are marketing their crops through him. If a grower is dissatisfied with the deal that a particular handler is giving him, he can switch to another handler or apply for an allotment to ship his crop himself.

A rate-of-flow regulation may or may not reduce the total amount of the crop marketed, but it does help tailor supply to current market demand and avoid periodic gluts and scarcities. The commodity must be reasonably storable, and the industry needs a high degree of cooperative spirit, for this is a more complicated type of regulation to operate than the grade, size, and maturity standards discussed in the previous chapter.

If an industry fits these qualifications, and wants to avoid the roller-coaster effect, then rate-of-flow regulations under a marketing agreement and order program offer a possible solution.

Chapter 15

FITTING YOUR CROP TO YOUR MARKET

Volume regulation.

Good marketing consists largely of tailoring your crop to fit your market--and probably the most carefully-tailored farm crops of all are those under marketing order programs that feature surplus pools.

For storable commodities, surplus pools can be used to limit the amount of the crop that goes into primary markets--so those markets will get as much as they need, but no more. The surplus that isn't needed in the primary markets is set aside to be sold into non-competitive channels--where it won't depress primary market prices.

Surplus pools aren't the answer for every crop troubled by surpluses. The crops which are using pool arrangements at the present time--raisins, dates, almonds, filberts, walnuts, and grapes for crushing--all have some things in common which make surplus pools particularly useful.

All of them are storable crops (except grapes for crushing, where the surplus grapes are made into storable grape products). Also, all of them are harvested during a relatively short period and marketed from storage during the remainder of the year. Thus, the critical marketing problem for these commodities is the total size of the crop. In contrast, the critical problem with a highly-perishable commodity like lettuce is not so much the total season's crop, but the amount that is being harvested at a particular time.

Another important factor in operating a surplus pool program is a secondary outlet for the "surplus" tonnage. This can be either an export outlet, such as exists for raisins, or a manufacturing

outlet, such as baking and confectionary use for date products. Some commodity groups, in fact, have developed secondary outlets as a direct result of inaugurating marketing agreement and order programs. Faced with the problem of finding a home for their surpluses, they developed new uses and outlets for their commodities which have expanded overall consumption while protecting the primary markets.

The actual operation of a surplus pool goes like this: The administrative committee gathers all available information on the possible markets for the crop. The primary market is the most profitable one, so the industry wants to market as much of the crop there as it can; on the other hand, too much commodity in the primary marketing channel will mean lower prices.

When the size of the crop is known, the committee decides what percentage of the crop should be "free tonnage" to go to the primary outlet, and how much should be set aside as "surplus", restricted to secondary outlets. In one case--raisins--the committee also recommends "reserve tonnage"--which can later be declared free tonnage if it is needed for the primary market, or declared surplus if it isn't.

If the Secretary of Agriculture agrees with the committee's recommended percentages, they are adopted and become binding on all handlers.

Suppose 85 percent of the crop is free tonnage and 15 percent surplus tonnage. Every handler, then, is obligated to set aside 15 percent of the commodity delivered at his plant for disposition at the direction of the administrative committee. It becomes part of the surplus pool. Later in the season, if the committee finds that the primary market will take more tonnage than had been estimated, the surplus percentage may be reduced and some of this "set-aside" released to the primary market.

Where a commodity is storable, and the problem is the total size of the season's crop, then surplus pools under a marketing order program offer a way to protect the primary market--and to get more money for growers.

Chapter 16

STANDARDIZED CONTAINERS AND PACKS-- GOOD SALESMANSHIP

Regulation of containers and packs.

Why should marketing order regulations specify the types of containers and packs in which the crop can be marketed? What does this have to do with solving a marketing problem?

Actually, there are several good reasons for standardizing containers and packs--all of them aimed at encouraging buyers.

Standardizing containers and packs through marketing order regulations is good salesmanship, because the whole industry then uses the types, sizes, and styles that buyers and receivers like best. In many cases the administrative committee sponsors research to determine which containers and packs cost less to pack, give most protection to the product, and have best trade acceptance.

Growers and shippers save money on standardization, too, because manufacturers can turn out large lots of a few types and sizes of containers more cheaply than they can make small batches of many different types.

Standardizing containers prevents the kind of confusion and unfair competitive advantage that

sometimes arises when certain shippers decide to use a container that is just a little smaller than one used by most shippers in the industry. Many buyers may not be aware of the difference and believe that they are getting a better buy because the shipper with the odd-smaller sized--container is quoting a slightly lower price than the rest of the industry. Standardization eliminates this kind of unfair competition.

Some industries have tied their grade and size regulations to the specification of packs and containers too. The Texas carrot marketing program, for instance, allows only the more desirable medium-sized carrots to be packed in consumer-sized packages, while larger carrots can be packed in the 50-pound bags which go to manufacturers, institutions, and other quantity buyers. In this way, both grades and packs are tailored to the customers' needs.

Standardizing packs and containers also helps an industry to service big buyers. When everyone in an industry is using standardized containers, big buyers can get their supplies from several handlers--instead of having to locate a single source with enough volume to handle the order.

Because of all these sales advantages, standardization of containers and packs has been widely used since it was authorized by the 1954 amendment to the Agricultural Marketing Act of 1937. More and more industries are finding that standardization helps them attract buyers--and keeps them coming back for more.

Chapter 17

RESEARCH YOUR TROUBLES AWAY

Sponsoring marketing research and development projects.

Date growers needed a new outlet for date products, the sweet cherry industry in Washington needed an economical way to fumigate its shipments, and Florida tomato growers needed to know how many tomatoes would be available for marketing week-by-week during their season.

All of these industries went about solving their problems in the same way--they financed marketing research and development projects using funds from assessments under their Federal marketing orders.

A provision can be written into any marketing agreement and order program which allows the administrative committee to support marketing research and development projects. Then the industry can use marketing order funds to give financial assistance on projects which will improve the marketing, distribution, and consumption of the commodity covered.

The date industry's experience in developing new outlets is a good example of how a marketing research or development project works. Since the industry operates under a surplus control type of marketing order regulation, it strengthens the market for its principal product, packaged whole dates, by keeping part of its crop out of the regular marketing channel for whole dates. It needed an outlet for these surplus dates.

The industry decided its best hope lay in developing new uses for dates in the form of date products for manufacturing use. A marketing research and development project was set up in

cooperation with the USDA Utilization Research and Development Laboratory, with financial support from the Date Administrative Committee. Under the project, several possible date products were tried and those showing most promise were given further tests. A pilot processing plant was set up and began turning out such products as date pieces and date granules. A campaign to interest bakers, confectioners and prepared food manufacturers in these new products was highly successful. Soon, new baked goods, candies and other foods containing date products began to reach the market, until finally the industry has a continuing demand for a substantial volume of "surplus" date products. The market development project had achieved a large part of its goal.

Washington's sweet cherry growers had a different sort of problem. They needed a quick, economical way to fumigate loads of fresh cherries, a requirement of some of the States where important markets are located. Fumigation equipment was expensive, the process was time-consuming, and it raised the temperature of the fruit so high that keeping quality was lowered. An engineering firm was hired and designed an economical fumigation unit that suited the industry's needs, and plans for this unit were furnished to the industry.

The Florida tomato growers who marketed their crops under a marketing order wanted to have tight quality regulations in effect during weeks when large quantities of tomatoes were ready for market, and more relaxed regulations when supplies were short. Since it took several days to draw up recommendations and get them approved and issued, the industry needed to know ahead of time how many tomatoes to expect.

The result was an experimental "weekly tomato plantings report" developed by the Crop Reporting Service with financial assistance from the Tomato Administrative Committee. This report showed the number of acres planted during the previous

week, and, as the season progressed, the quantity of tomatoes harvested to date. With the plantings information the committee was able to estimate quantities that would be available for harvest each week. They then had a sound basis for planning regulations--and growers and shippers also had a better basis for planning their individual marketing operations.

These examples illustrate the broad range of problems that can be attacked through the marketing research and development provision of a marketing agreement and order program. Many industries have found such projects an easy way of researching their problems away.

Chapter 18

WHAT MARKETING ORDERS CAN'T DO

Marketing orders aren't cure-alls.

We've talked about what marketing orders can do when they're properly used by a fruit or vegetable industry. But marketing orders aren't the solution to every problem. Let's talk about what they can't do.

Marketing orders can't change the law of supply and demand. Marketing orders for fruits and vegetables don't set prices--these are still governed by the amount of the commodity that's available, and what buyers are willing to pay for it. Marketing orders can help adjust supplies, and market development projects can encourage demand--but don't look for miracles. We haven't yet repealed the law of supply and demand.

Marketing orders can't make poor quality better. No marketing order ever instituted could

stop decay, or cure defects, or make produce grow bigger. Growers still need to produce top-quality fruits and vegetables. In fact, under a grade and size regulation, there is more incentive than ever to produce the best quality possible.

Marketing orders can't do your marketing for you. A marketing order provides a basic framework for the whole industry. It should put the industry as a whole in a better marketing position. But the order won't go out and dig up customers, or ship cars. Every firm still makes its own marketing decisions.

Marketing orders can't operate successfully without hard work by the industry. You get out of a marketing order just about what you put into it. A marketing order can be a live, constructive force for improvement of the industry--or just another piece of paper. It's an enabling document, and it takes people who are willing to work together to make it really effective.

That's a brief run-down on what marketing orders can't do. They're not magic and they don't produce miracles. However, they are valuable tools that an industry can use to help solve some of its marketing problems. Properly applied, they can promote orderly marketing of fruits and vegetables and increased returns to growers.

Chapter 19

WHO PAYS THE BILL?

How a marketing order is financed.

An industry has to put a lot of hard work into a successful marketing order--and a little money too. Congress provides the money for the work of the U. S. Department of Agriculture in administering marketing orders. But the industry runs its own program at the local level, and the administrative committee has some expenses. These have to be paid by the industry.

What are these expenses? Well, there's the salary for marketing order manager, for instance. Sometimes he needs a staff, too. In addition, there are expenses for office rent, committee meetings, postage and a host of little things. Also, if any research projects are financed under the order, or marketing information collected, the money has to be raised by the industry.

The money comes from an assessment on the handlers. Generally, this assessment is a nominal sum, such as one cent per bushel or box. The handler simply pays the penny on the number of units he ships.

Here's how the assessment works.

Each year, the administrative committee draws up a budget, outlining what they want to do and the amount of money it will cost. Based on anticipated volume of shipments, they also figure the rate of assessment it will take to raise this amount of money.

Money is always a serious matter, so there are a couple of safeguards, to make sure the interests of both growers and handlers are protected.

First, the law says that the committee is authorized to collect and spend only what is necessary for the successful operation of the marketing program.

Second, the committee has to submit its proposed budget and recommended rate of assessment to the Secretary of Agriculture for his approval. The Secretary reviews and approves the budget and fixes the assessment rate, usually accepting the committee's recommendations.

The committee also has to keep accurate books and records, to show where the money goes, and these books are audited annually.

As you can see, every effort has been made to see that the funds collected under a marketing order are properly cared for.

If it turns out the committee doesn't spend as much as it intended, or if a crop larger than estimated brings in more assessments than had been expected, the committee may have a surplus at the end of the year. This extra money can be credited to the handlers for the following year, paid back on a pro rata basis, or placed in an operating reserve fund.

The budget and the assessment are set up to give the committee the money it needs to operate the program effectively. And since the committee can spend money only for actual program operations, the rate of assessment is so low that it isn't a burden on handlers.

WHY INSPECTION?

How inspection fits into a marketing order operation.

Can you picture a basketball game without a referee? With the two coaches meeting in the center of the floor, to decide between themselves whether a player was fouled? Of course not. Nobody would be happy with that situation--and especially not the coaches.

That's why at every basketball game there is a referee--to interpret the rules for the teams. This leaves the players and coaches free to concentrate on playing their best basketball.

Industries which set up grade and size regulations under their marketing orders use the Federal-State Inspection Service for much the same reason that basketball teams use referees. They want impartial experts to decide whether their fruits and vegetables are the grades and sizes that may be shipped.

The Federal-State Inspection Service has a proud history of service to the fruit and vegetable industry. Organized 40 years ago, shortly after the first U. S. Grades were developed, it now operates as a cooperative service of State Departments of Agriculture and the U. S. Department of Agriculture in 49 States (Alaska is the lone exception). The Federal and Federal-State Inspection Services together inspect approximately three quarters of a million carlots of fruits and vegetables moving in fresh market channels each year.

Of course, an inspection certificate is much more than a means of showing you've met marketing order regulations. Shippers find that

inspection certificates are a good sales tool. Also, many shippers are convinced that inspection more than pays for itself as a means of quality control in their packing operations.

A common feature of marketing orders which use grade and size regulations is that they require inspection of shipments--usually by the Federal or Federal-State Inspection Service. These industries contend they want and need inspection to make sure that only their best produce represents them on the market.

After all, you may not always agree with a basketball referee's decisions--but it would be a wild kind of a game without him.

Chapter 21

IT PAYS TO OBEY THE LAW

Enforcement of a marketing order.

Marketing order regulations are like traffic signs--they don't do much good unless they're obeyed. And, while enforcement isn't a major problem for most marketing programs, the regulations are backed up by the law just like speed limits and stop signs.

Enforcement isn't a major problem with marketing order regulations because the growers themselves have voted the program in, and an industry committee designs the regulations to fit the industry's problems. Generally, the industry is solidly behind them which means that everyone can operate under the rules knowing that others are doing the same.

Enforcing the regulations is primarily the job of the Federal Government, but the administrative committee under each order is responsible for investigating and reporting complaints of violation. Violations are investigated and turned over to the Department of Justice.

Three types of legal action may be taken in Federal courts against a person who violates an order:

1. An injunction can be obtained through civil court action. This forbids further violation of the order by the handler, and makes him liable to contempt of court proceedings if he does so.
2. Criminal action may be brought, and convicted persons may be fined not less than \$50 and not more than \$500 for each violation.
3. A civil suit may be brought against a violator, requiring him to forfeit a sum equal to the value of the product shipped in violation of the allotment provisions of an order.

Violations of marketing order regulations are few, because each regulation is developed by an Administrative Committee which is made up of industry members with practical operating experience. However, if a particular handler thinks a regulation is not in accordance with law, he can file a petition [under Sec. 15(A) of the Act] with the Department of Agriculture asking for either a modification of the regulation or an exemption from it. His petition is ruled on by the Secretary of Agriculture and is subject to review in court.

Both marketing order regulations and traffic laws are set up for your protection--and they're most effective when everybody abides by them. Only in this way can the marketing order objective of better returns to growers be attained.

Chapter 22

FIRST THINGS FIRST

How to develop a marketing order.

Starting a marketing agreement and order program is a lot like getting married--you have to do a lot of courting, get everyone's consent, and then go through a big formal ceremony (the hearing).

The first step in the process is for the growers and handlers in your industry to analyze the problems you're facing and decide whether a marketing agreement and order program is the best way to solve them. There's little sense in going through all the steps of developing the program if it won't handle your particular set of problems.

Then the serious courting begins. All parties involved--producers and handlers--will have to be convinced that intentions are honorable, that there is mutual respect and dependence, and prospects of reward. This sort of understanding is the only basis on which a successful program can be built.

At the same time, you have to come up with a design for the program itself. You need to decide whether you want to regulate quantity, or quality,--or both; how the regulations will be applied; what sort of membership there will be on the administrative committee, and many other questions.

USDA personnel are available to help with the technical part of the drafting--but they are only technical advisors. It is your industry, your problem, and your decision. After all, you never hear of the minister proposing for the bridegroom.

When the draft is finished, and the industry is generally agreed that it's what they want, it is submitted to the Secretary of Agriculture with a request for a formal public hearing.

USDA investigates the proposal, and if it appears that it will carry out the declared policy of the law--to improve returns to growers and promote orderly marketing--then the hearing is scheduled. A notice of the hearing, including the text of the proposed marketing order submitted by the industry, is published in the Federal Register. In addition, notices of the hearing generally are mailed to all known growers and handlers in the industry.

The hearing is the big formal ceremony, very much like a court proceeding. Both opponents and proponents of the program are given their chance to speak. Witnesses are sworn, a transcription of the proceedings is made, and there is even some cross-examination, a la Perry Mason. A Hearing Examiner presides.

The hearing is very important, because any marketing order that is issued must be supported by "substantial and reliable evidence" in the hearing record. This record should show clearly the conditions in the industry which need correcting and how the proposed program will help to solve these marketing problems and improve grower returns. This means a lot of preparation to make sure that the necessary evidence is brought out at the hearing. It's more complicated than a wedding, because you have to write your own ceremony.

The hearing itself may last from one day to two weeks, and it can be continued in several different spots, if necessary, to give everyone concerned a chance to be heard.

The hearing and the informal discussions within the industry that precede it are the first two steps in developing a marketing agreement and order program.

Chapter 23

ORDERLY PROCEDURE, NOT RED TAPE

Public hearing, recommended decision, exceptions, Secretary's final decision.

"Why does it take so much time and red tape to set up a marketing order?"

This is a question we get asked every time we talk to a group about marketing orders for fruits and vegetables. It's natural enough. If an industry is struggling with a marketing problem, they want the marketing order put to work as soon as possible. Delays look like red tape.

Well, the time it takes to set up that marketing order isn't just red tape. It's also your protection against any provision of a marketing order that might prove harmful to the industry. The procedures for setting up a marketing agreement and order--which seem involved and time-consuming at first glance--are actually carefully designed to give everyone who has a stake in the industry a chance to be heard before the program goes into effect. These procedures have been worked out in accordance with the provisions of the Administrative Procedure Act which requires that interested parties be given an opportunity to express their views before the Department issues a final rule, for example, a marketing order or an amendment to an order.

The public hearing is the first formal step in setting up an order. This isn't just a rubber-stamp meeting to legalize decisions that have already been made. It's a public forum, where both sides--proponents and opponents--are given the opportunity to state their cases.

After the hearing is over, you also are given a period of time in which you can file written briefs or arguments.

The next step in the process is the Department of Agriculture's recommended decision--which is preliminary. It is published in the Federal Register just to notify you of the Department's proposed decision, based on the hearing record and the written briefs that were filed.

This recommended decision outlines the issues developed at the hearing, and the way in which they were resolved. It also contains the terms of the recommended marketing agreement and order, if a program is recommended on the basis of the hearing evidence.

After the recommended decision comes out, you have another period of time in which to file exceptions to it. If you feel that any part of the decision is unfair or discriminatory, then you can register your protest in the form of an exception. This period for exceptions may seem like unnecessary delay if you don't see anything wrong with the program--but you might feel differently if you thought it would threaten your business.

After the exceptions to the recommended decision are analyzed, the Secretary of Agriculture makes his final decision, which is published in the Federal Register. The decision contains the findings and conclusions on the final terms and provisions of the marketing agreement and order. It also rules on the exceptions that have been filed.

If the decision is in favor of a program, then it's time to put the issue before the growers in the referendum.

So that's the procedure: a public hearing; a period of time for filing of written briefs and arguments; the recommended decision; another period of time for filing exceptions; and finally the Secretary of Agriculture's decision.

Exactly the same steps are followed for a proposed amendment to an existing marketing order. Since an amendment to an order can have just as much significance to growers and handlers as the original order itself, it is equally important that the need for the amendment be developed through a public hearing and that all parties have a chance to be heard, both in the hearing and in the later stages.

A marketing agreement and order program or an amendment to the program isn't something that can be foisted upon growers without their knowledge. It is a program of the industry, by the industry, and for the industry. Its objective is to improve grower returns. Its effectiveness depends primarily on the support it has within the industry--and that includes every segment of it.

These procedures give everyone a chance to be heard, and to work the kinks out of the proposed program. It may take a few days longer, but it pays off in better feelings toward the program, greater support for it, and a better chance for its success.

LET THE GROWERS DECIDE

Producer referendum.

You, the grower, have the final word on whether your industry will operate under a marketing order or not. Every grower covered by the program has a chance to vote in the referendum.

This grower referendum has to be held on each new marketing order, and no order can be issued unless two-thirds of the growers voting in the referendum (either by number of growers or by the volume of production they represent) favor it.

Here's how the referendum voting usually is conducted: The U. S. Department of Agriculture mails a ballot which includes a summary of the terms and conditions of the proposed order to every known grower in the area covered by the program. Customarily, local Department of Agriculture offices also have supplies of the ballots, in case any growers are not reached by the mailing.

You fill out your ballot; then you indicate how much of the crop you produced during the representative period specified on the ballot and how much acreage you have. Then sign your name and, in the case of a mail referendum, send the completed ballot back to the address indicated. That's all you have to do.

The ballot has to be signed, and your volume and acreage given because they could affect the outcome of the referendum. Two-thirds of the volume voted or two-thirds of the number of growers voting can carry the referendum in favor of the order. The ballots are kept strictly confidential.

At the same time the grower referendum is being held, handlers are given an opportunity to

sign the marketing agreement that accompanies an order. This marketing agreement contains the same terms as the marketing order.

If the growers approve the marketing order in the referendum, and the handlers of at least 50 percent (by volume) of the crop sign the marketing agreement, then the Secretary of Agriculture may issue the program.

If handlers fail or refuse to sign the agreement, the Secretary may still issue an order if he finds and determines that it's the only way to advance the interests of producers (the exceptions to this are apples, cherries, cranberries and grapefruit for canning or freezing, where processors of at least 50 percent of the volume processed must sign the agreement).

But, in the final analysis, it is you, the grower, who really determines whether or not there will be a marketing order program in your industry when you vote in the referendum.

IMPORT REGULATIONS

Some marketing orders have import regulations tied to them.

Earlier we pointed out that many industries are convinced poor-quality produce hurts their markets. These industries have set up marketing orders to make sure the housewife gets the high quality she wants--and is willing to pay for.

What has this got to do with import regulations? Well, if a poor-quality potato on the U. S. market pushes down the price for a good potato, then it doesn't much matter if the potato was grown in the United States or in Afghanistan. The result is the same.

That's why Congress has required that import regulations be established for certain commodities whenever domestic shipments are subject to quality regulations under a marketing order program. The commodities: tomatoes, green peppers, Irish potatoes, eggplant, cucumbers, avocados, mangoes, limes, grapefruit, oranges, onions, walnuts and dates (other than dates for processing).

Whenever the quality of domestic shipments of these commodities is regulated under Federal marketing orders, then imports of these commodities must be regulated too. The Secretary of Agriculture has the job of issuing grade, size, quality or maturity requirements for the imported shipments that are the same or comparable to the requirements set up for domestic shipments. These import regulations only apply, however, when domestic shipments are actually being regulated.

If marketing orders are in effect regulating domestic shipments from more than one area, and they have differing regulations, then the Secretary of Agriculture has to determine which area the imports compete with most directly and tie the import regulations to the shipment regulations in effect for that area.

These import regulations aren't set up as trade barriers to keep out foreign fruits and vegetables. Actually, if it's good business for U.S. producers to market higher-quality produce, it should be good business for the foreign shippers to do the same thing. Far from driving foreign competition out of the market, the regulations could make them more competitive!

The import regulations are set up to accomplish the same purpose as the marketing order itself--to see that poor-quality produce doesn't drive customers away or depress prices, for either U. S. or foreign growers.

Chapter 26

IF IT DOESN'T WORK, TAKE IT BACK

Terminating a marketing order.

If you buy a wrench or a drill that doesn't work, you can take it back to the hardware store. A marketing order is a tool too--and if it doesn't do the job, you can take it back and be free of it.

Terminating a marketing order, in some respects, is a simpler process than setting it up. It takes a majority of the growers (who also produce at least half the crop) asking the Secretary of Agriculture to end it. Usually the asking is done through a referendum. If a substantial percentage of growers wants to end the order, they can ask the Administrative Committee--or petition the Secretary of Agriculture directly--for a referendum. Then the question is put to all the growers. If more than half vote against it, the law says the program has to be terminated.

There is one other case in which a marketing agreement and order program must be terminated. If the Secretary of Agriculture determines that the particular program no longer carries out the purpose of the law, then he must terminate the program whether growers favor it or not.

Over the years, a number of industries have ended their marketing order programs. Some of them have turned to other ways of achieving their marketing goals. Others have come back later with new marketing order programs better fitted to their needs and been well satisfied with them.

The whole point is this: It's your program. You don't have to get one; you don't have to operate it if you do get it; and you don't have to keep it if you don't want it.

Chapter 27

AND IN CONCLUSION

A summary of marketing agreement and order principles.

We've covered a lot of information about marketing agreements and orders; how they're started, ended, operated and financed; who they affect and how. Naturally, we can't squeeze a review of all that into one short conclusion.

The fundamental principles behind marketing agreements and orders can be stated in a few short sentences, though--and they're even more important than the details of operation.

- * Marketing agreements and orders have one, basic clear-cut purpose--to improve returns to growers.
- * Under marketing agreements and orders, the growers and handlers in an industry can work together to solve problems they can't solve individually.
- * Marketing agreements and orders provide self-help marketing tools that an industry can use in attacking its particular marketing problems.
- * Each marketing agreement and order program is tailor-made to fit the particular industry.
- * Marketing agreements and orders are started by the industry, designed by the industry, approved by the industry--and run by the industry.
- * Each marketing order program must be voted in by growers, and they can vote it out by the same method.

Those are the basic principles of marketing agreements and orders.

Every industry has to make its own decision about whether a marketing agreement and order would be of benefit in solving its marketing problems. If this pamphlet has helped give greater knowledge on which to base that decision, then it has accomplished its purpose.





FOR FURTHER INFORMATION

For further information, contact the

Fruit and Vegetable Division
Agricultural Marketing Service
U. S. Department of Agriculture
Washington 25, D. C.

or the most convenient of the following field offices:

Berkeley Marketing Field Office
Room 416, Mercantile Building
2082 Center Street
Berkeley 4, California

Los Angeles Marketing Field Office
1031 So. Broadway, Room 1005
Los Angeles 15, California

Sacramento Marketing Field Office
Room 8518, Federal Building
650 Capitol Avenue
Sacramento 14, California

Fresno Marketing Field Office
3525 East Tulare Street
Fresno 2, California

Northwest Marketing Field Office
1218 S. W. Washington Street
Portland 5, Oregon

Denver Marketing Field Office
Room 336, New Custom House
Denver 2, Colorado

Southeast Marketing Field Office
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